



**Testimony of  
THOMAS SLEMMER  
President  
National Church Residences  
Columbus, Ohio**

**Representing  
THE AMERICAN ASSOCIATION OF HOMES AND SERVICES FOR THE AGING**

**Before the  
HOUSE FINANCIAL SERVICES SUBCOMMITTEE ON HOUSING AND  
COMMUNITY OPPORTUNITY**

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Madame Chair Roukema and members of the Housing and Community Opportunity Subcommittee, I am Tom Slemmer, President of National Church Residences (NCR). NCR is one of the nation's largest nonprofit sponsors and managers of affordable housing for seniors, including over 14,000 federally-assisted housing units. I am pleased to be here today on behalf of the American Association of Homes and Services for the Aging (AAHSA), where I serve on the Board of Directors and am Chair of the Housing Committee.

AAHSA's members own and manage more than 300,000 units of federally assisted and market rate housing – and we represent the largest number of sponsors of HUD Section 202 Supportive Housing for the Elderly projects. More than half of AAHSA's members are faith-based, and all are nonprofits. The not-for-profit difference, as we call it, means that our members bring to their communities an enduring commitment to older people borne out of our philanthropic mission rather than a profit motive. Our members raise seed capital to establish these facilities. We involve innumerable volunteers to provide services to the people we serve. And, we raise money for quality of life activities and services not covered by government programs. We like to think that's a major part of the nonprofit difference.

AAHSA would like to thank members of the subcommittee for holding this very important hearing on elderly housing affordability. AAHSA appreciates the close look this subcommittee is taking with regard to housing affordability issues and we are pleased to be here today to share some of our observations, concerns and solutions.

**Overview:** Generally stated, there is a short list of major contributing factors to the elderly housing crisis. They are:

- The often unnecessary loss of federally-subsidized housing units that are affordable to people with low incomes.
- The lack of new housing production on any meaningful scale.
- A dramatically elderly population.

- The recent national housing policy focus on vouchers instead of production as the primary way to solve the affordable housing crisis.
- Rental costs increasing faster than incomes, especially for low income people and particularly for people on fixed incomes.

HUD Secretary Martinez stated during his Senate confirmation that “our grandparents and our parents helped build this country’s greatness and deserve the peace of mind to know that they will be taken care of, and can live in safe and decent homes and neighborhoods.” AAHSA is committed to a multi-faceted affordable continuum of care for the elderly, incorporating housing, health care, supportive services and community-based options.

The capital advance concept developed to address the housing needs of low income seniors has been incredibly successful. So have the earlier programs. Indeed, they have been so successful that the market is ripe for additional units funded through the same programs. We are fortunate such strong programs have been able to address the need for these units that has grown over the years. The track records of the elderly HUD programs are so strong that nonprofit organizations know them to be excellent tools in serving the housing and service coordination needs of low income seniors nationwide. Just as important, these well-run programs are welcomed by neighborhoods seeking not just housing and service coordination, but a long term commitment to their communities and the many returns on this investment they receive. These returns include the ability of residents to age in place, diversion from nursing homes, quality of life for residents, jobs, a focal point for information for seniors and capital. We must continue to increase the investment in the Section 202 program in order to maximize these returns to communities as we bring housing assistance to the 1.4 million very low income elderly households currently eligible for rental assistance but not receiving it.

These 1.4 million households, according to HUD’s Report on Worst Case Housing Needs in 1999, pay more than half of their incomes for housing or live in severely substandard housing. Last year, HUD funded approximately 5,200 new units through the Section 202 program. We need a more rapid growth pace for new housing units. And, we must increase our investment in affordable assisted living. HUD’s role in the bricks and mortar portion of this endeavor is a natural fit for our aging nation. AAHSA also encourages HUD’s continued leadership in facilitating a partnership with the Department of Health and Human Services for leveraging resources available to deliver supportive and health care services.

**Need:** There is a critical need to assist and preserve existing non-profit sponsored elderly housing facilities, as well as to expand the supply of suitable and affordable housing for low and moderate income older persons. More than 7.4 million elderly households pay more than they can afford for their housing including the 1.4 million with worst case housing needs mentioned previously. A majority of these households is on fixed incomes and receives no housing assistance. Unfortunately, low income elderly people seeking housing are faced with multi-year waiting lists exacerbated by the shrinking supply of suitable, affordable housing as some owners convert existing units to market rate housing. According to a recent AARP study, there were nine people over 62 years old waiting for every Section 202 unit in 1999. That number has undoubtedly grown since then.

The dynamic of fixed incomes, high costs and limited supply of affordable housing options is compounded by an ever increasing aging population needing a range of supportive and health care services. This need for supportive services, appropriate community space, and service coordination applies to the 1.5 million elderly households who currently live in federally-subsidized housing, with an average age of about 75 years, as well as those in need of housing assistance. Today's elderly population is expected to double by 2030. Additionally, many elderly housing facilities have "aged" and need modernization and/or retrofitting and refinancing in order to accommodate supportive services to aging residents, assure quality of life, accessibility and marketability. It is essential that adequate contract amendment funds be made available for adjustments to project operating costs to accommodate such increases (utilities, insurance, and staffing.)

## **Solutions**

**Section 202:** AAHSA supports increasing funding for the Section 202 Supportive Housing for the Elderly program to at least \$760 million. These funds are specifically for new development and project rental assistance contracts (PRAC) to help address the critical shortage of affordable housing for very low income elderly people. We have seen Section 202 funding trend downward from \$1.2 billion in FY95 to \$679 million last year. In FY2000, more than 50% of applications for funding of new affordable housing under the Section 202 program were denied, simply for lack of funds available to the program. Only by increasing the Section 202 budget above and beyond the inflation rate can we begin to make marked progress in meeting housing needs. Over the last two years Congress has enacted, with our strong support, changes to the Section 202 program. However, these changes alone will not produce new housing units affordable for increasingly frail very low income seniors.

We are pleased, for example, with new authority enacted last year, enabling partnerships between private investors and the traditional nonprofit sponsors in the financing of Section 202 projects. This change will make it easier for Section 202 elderly housing sponsors to bring private financing into the development of the projects. Now, as the sole general partner of a limited partnership, nonprofits can partner with for-profits so that low income housing tax credits and private activity bonds can be used for Section 202 projects. However, without increasing the amount of funds appropriated to the Section 202 program, we are merely shuffling housing resources from one population or program to another without a net increase in housing units. Maintaining the traditional Section 202 program, and its unique identity as a nonprofit provider of federally-subsidized elderly housing, while bolstering other opportunities to house low income elderly people, such as mixed finance, are ideas we support. AAHSA supports an overall increase for FY2002 to at least \$760 million for the Section 202 program for FY2002 so more elderly households can be served and the value of this important reform fully realized.

AAHSA also supports the renewal of all expiring Section 8 project rental assistance contracts (PRACs) and adequate funds for amendments as necessary to existing contracts to ensure the sound operation of housing developments. Adequate funding includes sufficient recognition of increased utility costs for nonprofit-sponsored senior housing providers. Although the Department of Housing and Urban Development has issued a utility adjustment notice, it provides relief only to a limited number of federally-assisted housing providers and more is desperately needed.

Next year will bring the first substantial number of expiring PRACs. HUD estimates that approximately \$3 million will be necessary to renew all of these contracts. Like the Section 8 contract expirations, additional funding for the PRAC renewals is necessary to maintain the existing housing stock.

Recently, concerns have been raised about unexpended funds within the Section 202 pipeline. While a 2000 HUD-contracted study found some delays in some aspects of the program, AAHSA has been unable to determine from HUD the dollar amount associated with these delays and thus we are unable to address this issue from a well-informed perspective. AAHSA has, however, made recommendations to Hill staff in order to accelerate the Section 202 program's pipeline. Among our top recommendations is to increase the number and / or training of HUD staff so that the Section 202 funding process moves as smoothly as possible, and to make award announcements promptly. Every year, new grantees are awarded precious Section 202 dollars and it is imperative that HUD staff be knowledgeable and responsive to grantees' technical assistance needs and property reservation commitments.

HUD staffing needs (i.e., both the number of staff and their training level) affect every new and existing HUD program. HUD's recent downsizing has resulted in a lack of meaningful attention to many programs important to this subcommittee, including the Section 202 pipeline, the new assisted living conversion program, utility adjustments, contract administrators, etc. AAHSA encourages the subcommittee to work with the Department to identify HUD staffing needs and to work toward effective solutions.

**Modernization of Elderly Housing Stock:** AAHSA urges the subcommittee to authorize funds for the modernization of federally-assisted nonprofit elderly units. AAHSA supports \$250 million to rehabilitate, modernize and retrofit older federally-assisted nonprofit elderly housing facilities and to enhance access to (and delivery of) supportive services. As a nation we have a significant investment in all federally-assisted housing. AAHSA strongly believes in maintaining the integrity of this investment and recognizes the needs present in many aging elderly housing facilities, including Section 236 properties. Currently, HUD has the authority to provide Section 531 (from the Multifamily Assisted Housing Reform and Affordability Act of 1997) grants but has yet to announce the availability of these funds to projects nationwide in need of capital infusions. Also, AAHSA would strongly support \$250 million in specifically targeted capital improvement funds for this purpose.

We owe it to our existing investment to accommodate the modernization and retrofitting needs of aging buildings and buildings that need to be adapted to facilitate supportive services. Just as our residents are aging in place, our housing is aging and is in need of modernization. Legislation enacted last year gives Section 202 providers with Section 8 housing assistance payments greater access to their residual receipts and reserves for building modernization, retrofitting and up to 15% of service costs, etc. Many other types of aging, nonprofit-owned elderly housing developments also need access to such funds and the time for this investment is now.

According to AARP's 1999 survey of Section 202 properties, projects built during the earliest round of 202 and the cost-containment years of the mid-to-late 1980s will have especially heavy demands for capital to modernize and retrofit in order to continue to meet the needs of the residents they serve. AARP found that 20% of the oldest facilities reported that their capital

reserves are inadequate to meet current repair concerns and that 36% reported that reserves are inadequate to meet projected repair needs.

The Section 236 non-profit elderly developments appear to be the most in need of modernization funds. AASHA fears that ignoring these needs now will only increase affordable elderly housing needs in the near future as the health of these properties continues to deteriorate. It is well known and documented that elderly housing facilities are themselves “aging in place” and have tremendous need for retrofit, repair and modernization, but lack the resources in their current reserve accounts, or lack the flexibility within their operating budgets, or through rent increases to accommodate these needs. While we can appreciate the current concern over constraints in the federal housing budget we believe it is imperative that a modernization program be established to meet the increasing needs for our aging residents within our aging facilities.

**Preservation:** The ongoing loss of affordable rental housing exacerbates the elderly housing crisis. According to the 2001 State of the Nation’s Housing report by the Joint Center for Housing Studies of Harvard University, more than 300,000 units affordable to households with low incomes were lost between 1997 and 1999 alone. Given the tremendous need for affordable housing, AAHSA believes that as many of these units as practical should be maintained. To that end, we support various tools to assist in preserving at-risk stock for the increasing numbers of elderly households in need of such units. The number of household heads over the age of 75 alone is expected to increase by roughly 1.3 million this decade.

AAHSA also supports enactment of a preservation matching grant program for states and localities that dedicate funds toward the preservation of federally assisted housing at risk of leaving the affordable housing inventory. To that end, AAHSA encourages the subcommittee to move H.R. 425, which establishes such a program. In addition, we support efforts to relieve (via deferral or outright cancellation of the exit tax) current owners of tax burdens when they transfer their properties to nonprofits that agree to maintain the units as affordable to people with low incomes. AAHSA believes these tax burdens are preventing the transfer of properties to nonprofits, many of which are ready and willing to sustain ownership of this critical housing stock.

While most HUD and local officials are very concerned about the loss of desperately needed affordable senior housing, we have heard that in certain areas (e.g., Detroit) that HUD officials have actually worked against preservation efforts or have at least stood by as valuable affordable housing stock was lost. We are very concerned about recent reports that, in an effort to satisfy a goal of having perfect portfolios, local HUD offices are prematurely foreclosing on Section 202 elderly properties. In Detroit, where preservation appears to not be part of their active agenda, two large Section 202 projects totaling 532 units have been foreclosed on by HUD and auctioned to for profit developers resulting in the loss of the buildings and their project-based Section 8 subsidies forever to the City of Detroit. In these instances, it appears that HUD did not intervene to remove obviously weak and failing Boards from the properties in time for the projects to be permanently saved, sold the projects to for profits at prices far below their assessed value and put the residents at great risk.

In one case, where 212 units alone were lost, the property had a long history of management problems. In the time preceding HUD’s ultimate foreclosure and sale to a for profit, HUD placed the building in enforcement and brought in its own management. It did not, however, use

its authority to replace the Board while the Board refused attempts by a coalition of nonprofit housing providers to take over control of the building and preserve it as affordable senior housing. We believe that if HUD had taken firm action to hold the Board responsible and to replace them if they refused to perform their duties it is quite likely that none of these units would have been lost.

In a pending case, a group of nonprofits is working to bring adequate resources together to purchase a failing development but HUD is insisting on modernization resources the task force likely does not have while not providing any of its own resources nor agreeing to hold the foreclosure in abeyance. While we support Congress's goal to maintain a safe, decent and affordable housing stock, we do not believe it has ever been Congress's intent to lose so many units so quickly to for profit owners, especially when the loss could be easily avoided at a cost that is a fraction of what a new unit costs. We also do not believe Congress would want to sell these projects at values far below their assessed values. AAHSA urges Congress to prohibit HUD from foreclosing on nonprofit senior housing without exhausting all options to maintain this desperately needed permanently affordable housing stock.

Since September 2000, my organization, National Church Residences has gone to great lengths to preserve affordable elderly housing. In Pacifica, California, 12 miles south of San Francisco, NCR assumed ownership of a 100-unit building after the city invoked eminent domain when the previous owners announced they planned to turn its once federally-subsidized units into market rate housing. Financing for the \$11.1 million purchase of the property from the owners, more than \$1 million more than what they had purchased it for two years prior, came from the County of San Mateo, the City of Pacifica and the California Housing Finance Agency. In doing so, NCR has permanently preserved these 100 units.

In Kansas, the City of Manhattan was key in NCR's preservation of 47 at-risk Section 8 units. Pulling the financing together to make this project work was not an easy task. With so many HUD contracts coming up for renewal and many owners considering opting out of the program, maintaining affordable senior housing is one of AAHSA's priorities. In this example, again, the preservation could not have occurred without the city's own recognition of the importance of this affordable housing to its low income elderly residents.

Such massive state and local investment to preserve federally-subsidized merits federal financial support. The scarcity of affordable senior housing has reached crisis proportions in the United States. Programs like the preservation matching grant can greatly assist in preserving as many units as possible. HUD must encourage, at every step of the renewal process, the preservation of these scarce affordable units. In the Pacifica case, most residents were surely facing homelessness due to lack of affordable alternative housing. In Kansas, residents at best were facing dramatic increases in rents.

**Service Coordinators and the Congregate Housing Services Program (CHSP):** AAHSA urges \$75 million for service coordinators and the continuation of existing CHSP contracts in FY2002. Programs that bridge the gaps between housing, supportive services and health care are necessary to facilitate a seamless continuum of care. The service coordinator program is such a bridge program. This program allows frail elderly people to live independently with dignity and respect in their own homes, and often defer or delay their need to move to a higher level of care. Increasing funding from \$50 million to \$75 million will offer the possibility of service

coordinators to new applicants. Service coordinators are a critical piece in the creation of supportive housing and service-enriched housing. Their primary role is to link residents with home and community-based service providers that assist residents with aging in place. With a central coordinator facilitating access to outside services for residents who need them, economies of scale can be realized and the independence of residents maintained.

Service coordinators are an integral part of a strategy to provide a healthy, ethical and affordable continuum of care in elderly housing facilities. AAHSA has long maintained that funding for service coordinators should be through a predictable, regularized process. While it is our understanding that service coordinators may be funded as a part of a project's routine operating expense, many elderly housing facilities are presently unable to use this procedure because this would exceed their cost limits under Section 8.

AAHSA also encourages Congress to establish a more reliable and stable source of funding for service coordinators by assuring that service coordinators can be part of every facility's routine operating expense. Grant recipients should have the realistic option to build the cost of service coordinators into their operating budget upon the expiration of the grant, but we must also sustain separate funding options for those facilities where only a portion of the residents benefit from direct rental subsidies. Again, to maintain the integrity of the Section 202 development program, we encourage you to establish a separate funding stream, apart from the Section 202 account, for service coordinators and CHSP contracts.

We recommend that financially restructured projects (refinanced) build the cost of funding a service coordinator into their operating budget through a PRAC. We recommend that the cost of a service coordinator also be exempted from the annual limits on expiring Section 8 contracts; and that insured or assisted housing projects without project-based Section 8 rent subsidy have existing service coordination grants continued through Section 8 amendment funds.

**Affordable Assisted Living Conversion and New Production:** AAHSA supports \$100 million for: 1) converting federally assisted elderly housing units to assisted living units and, 2) funding the production of affordable assisted living for low income seniors.

*AAHSA supports \$50 million to maintain the assisted living conversion program.* In the FY2000 HUD budget, Congress ushered in a new era of forward-thinking housing policy when it appropriated \$50 million for the conversion of Section 202 units into assisted living units. This policy change is indicative of the responsiveness of Congress and HUD to increasingly frail senior residents whose buildings no longer properly accommodate them and delivery of the services they need. The assisted living conversion program also acknowledges the resources housing programs can bring to communities in need.

One of the biggest current gaps in achieving a complete continuum of healthy, affordable and ethical care for seniors is the lack of affordable assisted living for very low income seniors. To address this need, AAHSA supports continuing this important program. Authorizing the conversion of some federally assisted elderly units into assisted living units allows residents to age in place, something many of us wish for our families and ourselves. AAHSA also urged expansion of the conversion program in FY2001 to non-Section 202 federally-assisted elderly housing projects. This change, which was enacted last year, will help a broad range of non-profit-sponsored facilities begin to address local needs for affordable assisted living units.

*AAHSA supports \$50 million for new affordable assisted living production.* On behalf of the communities we represent in every state, we encourage you to support a program to construct new affordable assisted living facilities to initially serve 1,500 low income elderly households. One way to accomplish this goal is to link to the Section 232 FHA insurance program to directly subsidize no more than 20% of the units in any given facility, thereby creating 7,500 mixed income assisted living units. Along with the assisted living conversion program, this program should be under a separate funding stream than the Section 202 program.

**The *Olmstead* Decision:** In 1999, the Supreme Court held in *Olmstead* that unnecessary institutionalization of people with mental disabilities is discrimination under the Americans with Disabilities Act. The Court ruled that states that offer community-based services to people with disabilities must make those services available to an individual when the person desires community services and when the person can be adequately served in the community. The decision applies to both individuals in institutions and those in the community at risk of institutionalization. This decision clearly points to a national movement to provide supportive services in the most non-institutional setting as possible. The ramifications on federally assisted housing have yet to be fully explored, but AAHSA believes the ruling will put pressure on communities to respond to additional needs for affordable assisted living, coordination of in-home (whether a federally-subsidized home or not) services and appropriate, consumer-driven options for supportive services.

HUD has already responded to the *Olmstead* decision by publishing its Access 2000 NOFA. While this NOFA is targeted specifically to non-elderly disabled individuals, it is AAHSA's hope that the program will soon be expanded to elderly individuals. The goal of Access 2000 is to use existing federal authority and appropriations to facilitate the successful transition from nursing homes to community living for persons with disabilities. This innovative initiative will use HUD Section 8 housing vouchers, Department of Health and Human Services Nursing Home Transition Grants, Medicaid funds and other resources to help individuals make appropriate transitions into community living. Because of housing's centrality in each of our lives, it is likely to be a very important part of any successful transition into community-based settings, as the Court stipulated. AAHSA is encouraged by HUD's leadership in the Access 2000 NOFA and looks forward to working with the subcommittee and the Department as more issues evolve to include elderly people as well.

**Coordination between HUD and HHS.** AAHSA believes that the work between HUD and HHS to implement the Access 2000 program is an excellent example of how the two departments can coordinate efforts in the future. AAHSA is currently working with HUD and HHS to help create an effective partnership between the two agencies so as to coordinate and maximize the benefits of federal housing, services and health programs. The goal, of course, is to allow individuals the opportunity to live independently, avoid premature institutionalization and make use of the most cost-effective alternatives possible. We hope our efforts result in an affordable continuum of care that offers a range of supportive services to older persons in federally-assisted housing.

**New Production:** In recognition of the great number of housing needs nationwide and for all ages, AAHSA strongly supports the creation of new programs to construct, rehabilitate and preserve a substantial number of units in the coming years. We encourage the subcommittee to



support H.R. 2349, which establishes a national affordable housing trust fund. We also support S. 652, the Rural Rental Housing Act. These bills, if enacted, along with last year's much-needed increase in private activity bond and low income housing tax credit caps, could do much to alleviate our nation's housing crisis. AASHA looks forward to working on various new production proposals under consideration to develop the most cost-effective program(s) possible. Any new production program must ensure adequate access to federal funds by rural, suburban and urban communities.

**The Commission on Affordable Housing and Health Facility Needs for Seniors in the 21<sup>st</sup> Century:** AAHSA thanks the subcommittee for its recent extension of this important Commission. The Commission's mission to explore ground-breaking avenues to address future residential and service needs is a timely and much-needed endeavor. Along with the subcommittee, AAHSA very much looks forward to the Commission's recommendations.

AAHSA is thankful for the leadership this subcommittee provides in national housing policies and for this opportunity to testify. We are pleased to contribute to your deliberation on these critical issues, and we urge your support for the recommendations outlined in our testimony.

If you desire additional information, please contact Linda Couch, Housing Policy Analyst, at 202/508-9476 or [lcouch@aahsa.org](mailto:lcouch@aahsa.org).